SaskTel

1988

ANNUAL REPORT

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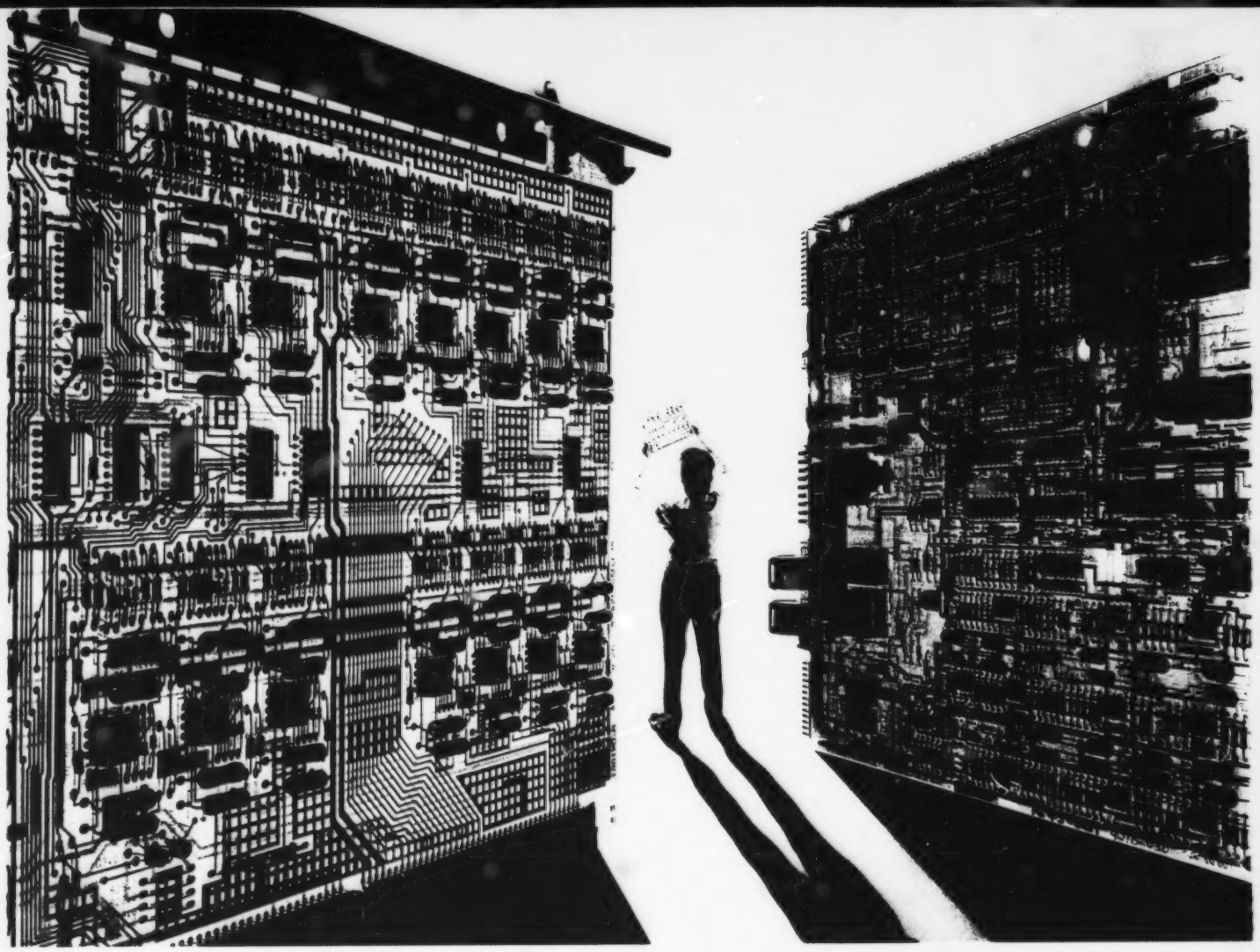

THE NEW LINES OF *communication*

In 1988, SaskTel invested $64 million in digital network conversion. It's part of a $274 million program which will provide fully digital switching for the entire province by 1995.

This exciting technology opens the way to new opportunities for Saskatchewan business. It means increased access to services such as electronic mail, video conferencing and national and international databases. Businesses can increase efficiency through high speed data transmission. And, the increased connectivity to terminal equipment will redefine the boundaries of business communications.

The technology of the future is being brought to businesses today by SaskTel and our dedicated, locally-based sales force.

At SaskTel, we're creating new lines of communication.

"digital technology... will improve productivity, increase education and entertainment opportunities ...and simplify access to value-added products, services and systems..."

Quality, service and dependability – it's our commitment.

SaskTel

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1988

ANNUAL REPORT

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On the cover

Throughout 1988, SaskTel continued its computer-based, digital conversion program to bring the benefits of the Information Age to the people of Saskatchewan.

Corporate profile

Saskatchewan Telecommunications (SaskTel) is the provincially owned crown corporation responsible for providing local, long distance, and related data and image telecommunications services to the people of Saskatchewan. Similar services, on a national and international level, are offered through the corporation's membership in Telecom Canada.

The corporation employs 4,525 people, the majority located in Regina (head office) and Saskatoon. Employee groups are also stationed throughout the province in 62 other communities. The number of SaskTel employees has remained relatively stable since 1982.

SaskTel dates back to 1908 when the Department of Railways, Telegraphs, and Telephones was established by an act of the Saskatchewan Legislature. In 1947, the organization became a crown corporation known as Saskatchewan Government Telephones (SGT). Its name was changed to Saskatchewan Telecommunications (SaskTel) in 1969 to reflect the growing diversification of its many products and services.

The corporation is an innovative leader in the telecommunications industry. It provides high quality, reasonably priced services by applying the latest technological advances in the most economical way.

Letter of transmittal

Regina, Saskatchewan
March 27, 1989

To Her Honour
The Honourable Sylvia O. Fedoruk, O.C., S.O.M.
Lieutenant Governor of the
Province of Saskatchewan

Dear Lieutenant Governor:

I have the honour to submit herewith the annual report of Saskatchewan Telecommunications for the year ending December 31, 1988, including the financial statements, duly certified by auditors for the corporation, and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Telecommunications Act.

I have the honour to be,
Your obedient servant,

Hon. J. Gary Lane, Q.C.
Minister Responsible for
Saskatchewan Telecommunications

An outstanding year

Both financially and historically, 1988 was a significant year for SaskTel.

SaskTel's new market-driven direction renewed emphasis on improving service to our customers as the corporation celebrated its 80th year of providing high quality, dependable telecommunications services to the people of Saskatchewan.

SaskTel earned $70.1 million in 1988, on revenues of $513.4 million. This compares with net earnings of $50.5 million on revenues of $469.5 million in 1987.

This outstanding performance reflects the dedication of SaskTel's employees who through teamwork and individual effort are carrying out initiatives to continually improve service to our customers throughout the province. The knowledge and skills of the corporation's workforce continue to pay dividends to Saskatchewan residents as they respond positively to constant changes in the fast-paced telecommunications industry.

SaskTel experienced new peaks in the use of telecommunications services in 1988. Long distance messages originating in Saskatchewan exceeded 125.7 million, while the number of network access lines increased to 540,884.

SaskTel's net earnings have exceeded $35 million for five consecutive years. This represents a return to the people of the province of more than $229 million from 1984 to 1988, even though the corporation has had only one limited rate increase since 1983, which took place in 1987. As a result, Saskatchewan residents continue to enjoy basic service rates which are among the lowest in North America.

SaskTel's strong financial situation has provided a firm base on which to build for the future, with earnings being re-invested to expand and improve telecommunications services. During 1988, the corporation continued to devote significant resources to enhancing the province's telecommunications network. Capital-intensive projects include the rural Individual Line Service program, and major switching and network upgrading programs, which together represent investments of more than $541 million.

These computer-based, digital conversion programs are building blocks for an all-digital network to be in operation throughout Saskatchewan by 1995. This network is fundamental to SaskTel's plans for extending the benefits of Information-Age services throughout Saskatchewan.

The introduction and expansion of new technologies to all areas of the province is already providing employment opportunities to many Saskatchewan businesses under SaskTel's supplier development program. The advanced telecommunications network will also benefit many businesses which operate in smaller urban centres and rural areas.

SaskTel has come a long way since it was created by an act of the Saskatchewan Legislature on June 12, 1908. That year, some 3,000 telephones were in operation, mostly in the larger urban centres. The needs of smaller urban and rural residents were largely ignored due to the prohibitive cost of providing telephone service to these widely scattered, sparsely populated areas.

By the end of 1988, SaskTel was providing telecommunications services to 450,000 customers. Today, SaskTel is focused on satisfying every telecommunications requirement - from residential customers with single-line telephone service to large businesses with diverse and complex needs for integrated voice, image, text and data communications.

As Saskatchewan advances into the Information Age, SaskTel will continue to fulfill its mission of being the partner of choice for all telecommunications needs throughout the province. By applying the latest technological advances in the most efficient way possible, Saskatchewan residents will be able to choose from an ever-widening choice of new products and services.

President's report

At the close of our 80th anniversary year, it is a pleasure to report that 1988 continued our tradition of successful operation - a solid financial performance, substantial advances in technology, and continuing progress toward our commitment to improving service to our customers.

This is a record which any crown corporation or public company might regard with satisfaction. For SaskTel, the greater satisfaction lies in knowing these accomplishments are a credit to our employees.

While it is customary when observing anniversaries to reflect upon a company's material progress throughout its history, I am proud to use this occasion to recognize publicly the very considerable accomplishments of our employees, and of their predecessors, whose skill and commitment have earned them the respect of our industry and our customers. Although the latest electronic devices and the mysteries of high technology are the hallmarks of the Information Age, it is the individual commitment of every employee which transforms these into service our customers can depend upon.

In less than a decade our industry has undergone a metamorphosis, from one in which change traditionally was largely predictable, to a highly volatile environment. Our business today demands of employees the willingness to adapt not only to rapid change, but to several dimensions of change simultaneously - new technologies, new and increased demands for our services, increasing competition, new ways of fulfilling their responsibilities, and the organizational adjustments necessary to succeed in a quickly evolving business environment. These are challenges which would test the most resilient of people; our employees have shown they measure up to the best there are in our business.

Another successful year

I am pleased to report that SaskTel's net earnings for the year were $70.1 million, on revenues of $513.4 million. This is the fifth consecutive year that SaskTel's net earnings have exceeded $35 million. The 1988 financial performance compares with net earnings in 1987 of $50.5 million on revenues of $469.5 million.

These net earnings form an important component in the financing of our ambitious capital programs, which will enhance and expand our network to become all-digital by 1995. With this goal in mind, during 1988 SaskTel announced capital projects which, added to the individual line service program for rural customers, total more than $541 million. This is by far the largest and most extensive capital works program in the company's 80-year history.

Most significant among these is the five-year, $264 million ILS program bringing urban-quality service to 73,600 rural Saskatchewan customers. Late in the year the program reached the halfway mark. By year end, more than 40,000 customers were being served with private lines and had access to modern services such as custom calling features, cordless telephones, on-line computer services, answering machines and facsimile services among others.

During the year, work continued on three other programs, totalling $277 million. One of these involves the replacement and upgrading of central offices in smaller communities, complementing the ILS program. By year end, 123 systems had been installed to replace outdated equipment, much of it nearing the end of its useful life.

Another major program announced during the year involves enhancements to the major telecommunications switching centres in Regina and Saskatoon which will provide the latest in custom calling and call management services to business and residential customers.

Also announced in 1988 was a third program which involves another pioneering step for SaskTel. This involves a further extension of the individual line service program to 43 smaller communities across northern Saskatchewan, 12 of which do not now enjoy telephone service. SaskTel is the first telephone company in the country to undertake the provision of individual line service on this scale to remote communities.

TeleBonds

Traditionally, funding for SaskTel's development projects has been arranged through financial institutions outside the province. Our latest projects, however, will be funded in

large measure through the re-investment of SaskTel's net earnings and by the money raised through the sale of TeleBonds to the people of Saskatchewan.

Saskatchewan residents showed their strong support for TeleBonds and their faith in SaskTel's initiative of borrowing money in the province by putting the Tele-Bond issue past its objective of $100 million.

Toll competition

Late in the year a federal-provincial study into the effects of competition in long distance telephone service predicted that virtually all Saskatchewan residents would be major losers if national competition is allowed.

The report concludes that monthly rates for basic telephone service both to business and residential customers in Saskatchewan would have to increase nearly 40 percent. The cost of providing basic service to Saskatchewan customers now is several times the rates which are charged. The difference is made up with revenues from long distance service. Some of this revenue would be lost to competitors who would not be obliged to provide basic service or to maintain other uneconomic services which SaskTel provides and which are supported by long distance revenues.

The results of this study clearly indicate that there are more disadvantages than benefits for the vast majority of Saskatchewan customers with respect to competition in the provision of long distance service. For this reason, the Saskatchewan government continues to support the position it has held since it opposed the proposal presented a few years ago by CNCP Telecommunications to compete in long distance services.

The 18-month study was undertaken on behalf of the federal, provincial and territorial communications ministers and is the most exhaustive Canadian study of its kind to date. Our own review of this study indicates that 87 percent of residential customers and 90 percent of business customers in Saskatchewan would experience higher telephone bills if the federal government allows competition for long distance service.

New ventures

During the year SaskTel participated in the founding of one of Canada's largest integrated computer services companies. Westbridge Computer Corporation was formed through an amalgamation of SaskTel's former internal computer processing centre and a portion of its data terminals division with SaskComp and two private sector companies, Leasecorp Western, a computer leasing company, and the Mercury Group of Companies, an international computer-oriented printing company based in Saskatchewan.

Early in 1989, a group composed of a number of SaskTel employees and a prominent Saskatchewan publisher agreed to purchase the corporation's directory operations.

The new company created, DirectWEST, will begin operations on April 1, 1989. The Saskatchewan-based company has three shareholders - the employees of DirectWEST (participating through a labor-sponsored venture capital corporation), Brigdens Printers and Publishers, and SaskTel.

DirectWEST and SaskTel have agreed to an exclusive, long-term contract to publish the corporation's 10 annual directories. In addition, the new company intends to expand its operations into the growing directory business as well as other publishing ventures within Saskatchewan and beyond provincial borders.

Our determination to meet the needs of our customers and to respond also to our changing environment was reflected in the formation on January 1, 1988 of a new division with a mandate to service the increasingly sophisticated communications needs of the Saskatchewan business community.

The new division, Diginex, has its own trained staff and will draw on all of the resources of SaskTel to ensure that Saskatchewan businesses have access to the latest in voice, image, text and data services available anywhere in Canada.

I would like to express the deep appreciation of SaskTel for the contributions made by board members Mark Seidel, Bertha Vanderhaeghe and Ted Urness, who retired from the Board of Directors during 1988. Finally, I wish to express my appreciation to our Minister, Hon. J. Gary Lane, the Government of Saskatchewan and our Board of Directors, whose wise counsel and generous support was essential to our success in an eventful and demanding year.

James A. Coombs
President and Chief Executive Officer

Advancing into the Information Age

The telecommunications network of tomorrow is taking shape in Saskatchewan today

An essential part of SaskTel's leadership role in the Information Age is an aggressive program to upgrade our network to computer-based digital operations. During 1988, SaskTel announced plans for a $64 million project to provide fully digital-switched telecommunications services in Regina and Saskatoon by 1992. This project will provide call management services in addition to traditional custom calling features to all residential and business customers in both cities.

The $64 million investment is the first phase of a $146 million digital network conversion program which will upgrade the remaining central offices in larger urban centres and connecting transmission facilities to digital operation by 1995.

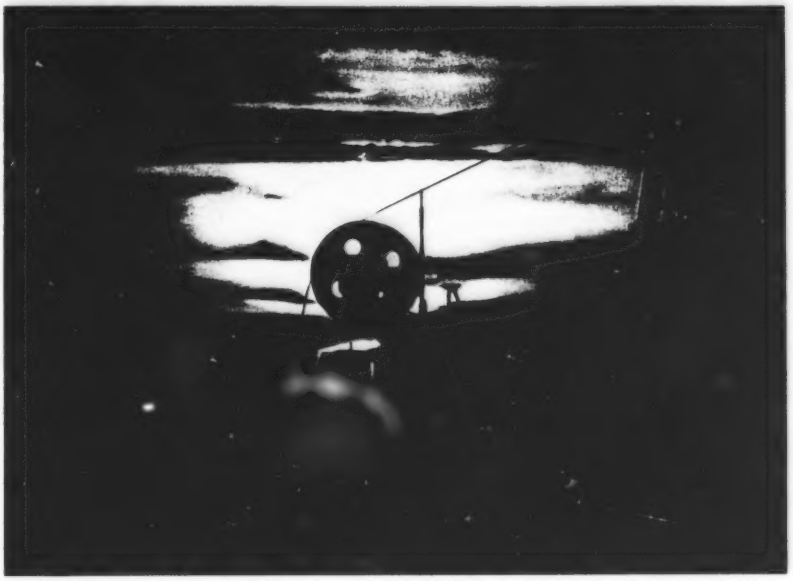
Two other large capital programs which began in 1986 - the $264 million rural Individual Line Service (ILS) program and a related $128 million digital switching upgrading program - are progressing on schedule and on budget. Both of these will be completed by 1991.

These three capital-intensive programs, representing an investment of $538 million, will ensure that the required facilities are in place to meet the immediate and future needs of SaskTel's customers.

ILS program passes halfway point

SaskTel was the first telecommunications company in Canada to initiate a program to replace all of its multi-party lines serving 73,600 rural customers with private-line facilities. By year end, 187 of the corporation's 345 telephone exchange areas had been upgraded to individual line service. As a result, more than half of these rural customers - some 40,850 homes and businesses - were enjoying the benefits of private conversations and a wider choice of convenient products and services.

When this program is complete in 1991, the remaining 32,750 customers will also have access to the most modern communications available anywhere.



Bringing individual line service to rural Saskatchewan.

In conjunction with the Individual Line Service program, SaskTel is investing $128 million to upgrade switching centres in smaller communities to digital operation. By the end of 1988, a total of 123 digital systems had been installed to replace older, mechanical switching equipment.

As each new area is converted to individual line service, SaskTel contacts each customer directly about the advanced telecommunications services available to them. These services include touch-tone dialing and custom calling features like Call Forwarding, Call Waiting, Three-Way Calling and Speed Dialing. For the first time, as part of SaskTel's customer information program, residents in several communities were provided with custom calling features without charge for a two-month trial period.

The ILS program also has practical, social and economic benefits for customers living in rural areas. Economical, advanced telecommunications services are helping to attract new industries. This, in turn, provides employment opportunities for people living in smaller Saskatchewan communities.

The ILS program has also helped to create jobs among smaller Saskatchewan businesses. Cable ploughing, and construction-related facilities such as the small buildings needed to house digital switching equipment and cable terminal boxes, are being supplied on a contract basis by private sector suppliers.

ILS for northern Saskatchewan

A $3.2 million program was announced in June to provide individual line service to 43 small communities across northern Saskatchewan. Twelve of these communities currently do not have telephone service. To be completed by 1995, the provision of private line service in this sparsely populated, resource-rich region of the province will enhance the quality of life and contribute to further economic development in northern Saskatchewan.

SaskTel is the first telecommunications company in Canada to undertake such a program, which recently became possible through advances in technology.

Delivering the benefits

Bringing the benefits of the Information Age to the people of Saskatchewan is a cornerstone of SaskTel's mission in the years ahead.

Computer-based digital technology is rapidly replacing the more traditional analog systems of the past. With analog, voice messages are translated into continuous electrical signals that vary with changes in tone and loudness before being transmitted.

Digital systems, on the other hand, convert all forms of telecommunications messages - voice, data, image and text - into binary digits called "bits". These encoded, on-off pulses are the language used by computers to communicate with each other.

The conversion from analog to digital significantly improves signal quality, allowing the transmission of greater amounts of information at much higher speeds. Digital systems are also far more cost-effective to install and less costly to maintain.

SaskTel's three major upgrading programs are the building blocks for a future all-digital network. Spurred by such advances as increased intelligence in digital switching and high-speed, high-capacity transmission systems like fiber optics, the company's enhanced network can deliver larger amounts of information far more quickly and with far greater flexibility and fidelity than ever before. With an all-digital network in place, the corporation will be able to introduce and expand a vast array of technically advanced products and services to all of its customers.

The widespread deployment of digital technology will improve productivity,

increase education and entertainment opportunities, improve access and independence for customers with special needs, contribute to personal safety through systems like 9-1-1, and simplify access to value-added products, services and systems. An enhanced communications delivery system will make all of these things better, faster and more affordable.

ISDN and the Information-Age community

The Information Age is characterized by the communication of electronic rather than paper-based information. Delivering information efficiently and affordably is essential if Saskatchewan residents are to fully realize the vast potential of the Information Age.

The new computer-based digital switching and network transmission facilities being installed across Saskatchewan by SaskTel are an integral part of a new network architecture known throughout the telecommunications industry as ISDN - Integrated Services Digital Network. It is capable of moving all current forms of information simultaneously and with equal ease over both conventional copper wire and fiber optic cable.

The unique characteristic of ISDN is that it is oriented towards individual needs and applications. It will help provide a progression of services which will flow through the network of the future while meeting the ever-changing communications needs of today.

ISDN will enable virtually everyone who already has basic telephone service to take part in the Information Age. Everyone will be part of a world in which sending and receiving all forms of information - whether voice, data, text or image - either separately or simultaneously will be as simple as making a telephone call today.

SaskTel's 'Buy Saskatchewan' program takes off

SaskTel's $264 million rural Individual Line Service (ILS) program, while bringing the advantages of privacy, convenience and choice to more than 40,850 customers by the end of 1988, has also provided a major economic boost to many small Saskatchewan businesses.

To date, the ILS program has made extensive use of the services of contractors and suppliers across the province. For the last two years, SaskTel, in conjunction with the province's Buy Saskatchewan program, has worked closely with local suppliers to develop new and replacement products. This, in turn, has helped to create jobs and to keep Saskatchewan dollars in Saskatchewan.

Supplier development

In addition, SaskTel's Buy Saskatchewan program has assisted many local, private-sector businesses to market their new products throughout Canada, the United States and even in the international marketplace.

S.B.C. Case Industries Ltd. of Saskatoon, for example, worked with SaskTel to develop a sturdy carrying case for cordless telephones. SaskTel then marketed the new case through its Telmart stores. The cordless phone carrier, customized with corporate colors and logo, met with immediate success.

With SaskTel's help, the Saskatoon firm approached other Canadian telephone companies and provided them with customized samples. As a result, more than 15,000 carrying cases have been sold to Canadian telephone companies from British Columbia to Newfoundland. At year end, S.B.C. Case Industries Ltd. had begun marketing its products in the United States.

"The idea of our program is to develop Saskatchewan manufacturers and suppliers who can get out and sell to telephone companies across Canada, the U.S. and even worldwide," says Gordon Beck, the director of SaskTel's Buy Saskatchewan program.

Major contracts to local firms

In conjunction with the ongoing ILS program, several Saskatchewan firms were awarded major contracts during the year. Plow contracts totalling approximately $8 million were awarded to Tollifson Cable Service Ltd. of Moose Jaw; Peace Communications Cable Laying Ltd. of Anaheim; K-Line Maintenance and Construction Ltd. and Industrial Line Contractors Ltd., both of Regina; Galbraith Powerline Contracting Ltd. of Kindersley; P & R Teleservices (1981) Ltd. of Melfort; Setrakov Construction of Meadow Lake; and Gemini

Holdings Ltd. of Foam Lake. These companies plowed 9,900 kilometres of cable in 1988 to provide the underground facilities needed to bring individual line service to some 16,000 rural customers.

Local suppliers of products such as cable, terminals and fuel have also benefited from these activities.

A Moose Jaw firm, Inventronics, was awarded a $750,000 contract to supply cable terminal boxes for the 1988 rural ILS program. This project consumed 640,000 pounds of steel and provided nearly 10,000 person hours of employment for the firm's 50 full-time employees. Other products manufactured by Inventronics over the past two years for SaskTel include paystation booths, ladder racks for vans, and splice boxes.

Contracts totalling $620,000 for ILS telephone set conversions were awarded to four Saskatchewan firms during 1988. Lech-Woodriver Electric of Gravelbourg, Prairie Com Limited of Moose Jaw, J.J. White and Associates of Saskatoon, and SaskPro Enterprises of Prince Albert were responsible for replacing multi-party line telephones in five of SaskTel's eight operating districts.

Subcontractors from surrounding communities often benefit when an ILS contract is awarded to a local supplier. For example, soon after Lawrence Matvenko of Livelong received a contract to build 45 ILS building enclosures, the economic ripples started to be felt in the surrounding area.

Mr. Matvenko purchased the lumber for the buildings from Nelson Lumber in Lloydminster and the steel from Northern Fabricators in Dorintosh. A&H Electric of Meadow Lake was the electrical subcontractor. When the buildings were complete, they were moved to Regina by Shrigley's Transport of Meadow Lake.

Besides helping Saskatchewan firms to prosper and others to develop and market new products, SaskTel also benefits directly from the personalized service that comes from dealing with a small, local manufacturer.

List of local suppliers grows

SaskTel's Buy Saskatchewan supplier development program is continuing to expand. Recent new suppliers include North Battleford Bag Manufacturing (tool carrying bags), Brigdens (appointment diaries), Saskatchewan Abilities Council (coveralls), Noran Tel (telecommunications panels), Hara Products (plastic parts), and Western Retail Interiors (acrylic display fixtures) among many others on a list which continues to grow.

"The Buy Saskatchewan program also includes local consultants and training specialists that offer a variety of services to the corporation previously provided by out-of-province firms," Mr. Beck said.

SaskTel's Gordon Beck (left) and Eugene Hritzuk of S.B.C. Case Industries of Saskatoon.

Diginex

A division of SaskTel

In 1988 SaskTel created a new division called Diginex. Its mandate is to be more responsive to the sophisticated needs of the corporation's larger business customers. Diginex draws on all the resources available at SaskTel to meet the ever changing communications requirements of its customers.

The creation of the new division follows the restructuring of the corporation completed in 1987 to strengthen service to customers, streamline operations and improve operating efficiencies.

Diginex was formed by consolidating a number of employee groups within SaskTel with the specific goal of improving service to SaskTel's 2,000 largest customers. With this clear mandate, Diginex is sharply focused on serving the more complex and specialized needs of customers with seven or more lines.

Through Diginex, customers with more sophisticated telecommunications needs will be offered an even larger choice of terminal and network products backed by years of technical expertise. These include multi-line key systems, PABXs, advanced data and voice networks, electronic mail networks, Integrated Office Systems, facsimile equipment, and voice messaging systems.

Diginex provides advanced telecommunications for corporate communicators.

In response to change

Along with the changes in technology characteristic of the telecommunications industry, SaskTel also faces growing competition. In the future, more of the services and products SaskTel provides will be subject to competition.

As a separate division, Diginex will be more flexible and better able to respond more quickly and directly to changes in the marketplace. By focusing on the needs of a specific group of customers, Diginex intends to enhance its market opportunities.

Through innovative applications of new technology, SaskTel continues to offer new choices in products and services to the Saskatchewan business marketplace. The creation of Diginex, with its 450 employees, is SaskTel's latest step to ensure that advanced technology provides the necessary tools for Saskatchewan's larger businesses to operate more effectively, identify new markets, cut costs, and provide better service to their customers.

Helping to improve the quality of life

SaskTel's commitment goes beyond providing telecommunications services and products

Under its community relations programs, the corporation contributes to many educational, athletic and cultural organizations. In this way, SaskTel supports the activities of non-profit and charitable groups which enhance the quality of life throughout Saskatchewan.

SaskTel's involvement in these activities during 1988 included support of major events such as the Saskatchewan Summer Games in Melfort, the Girl Guides International Jamboree at Echo Valley, and the Kinsmen Telemiracle.

In 1988 SaskTel agreed to become a major corporate sponsor for swimming and diving events for the 1989 Jeux Canada Games to be held in Saskatoon from August 13 to 26. Most of the corporation's contribution will be used to help bring the facilities at the Harry Bailey Aquatic Centre up to Canada Games standards.

Supporting the academic community

In 1988 the corporation continued to provide financial assistance to technical and research activities at post-secondary education institutions in the province.

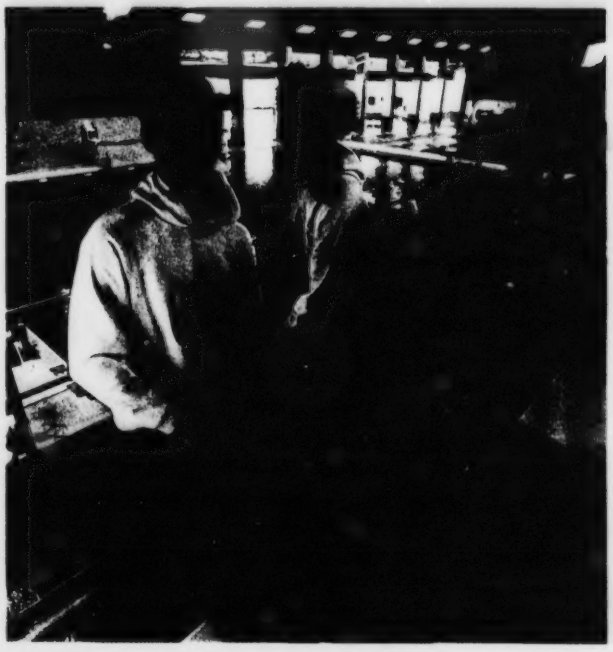
The University of Saskatchewan received a research agreement that involves a commitment of $140,000 towards a research project to develop a digital communications system that can deliver radio-telephone service to remote locations at a reasonable cost.

SaskTel will have full access to the results from this project. The research is aimed at finding ways to provide improved communications services to remote areas of Saskatchewan and to help develop a technology with applications in other markets. In past years, SaskTel has provided financial assistance to other programs and research projects at both provincial universities.

In Moose Jaw, the Saskatchewan Institute of Applied Science and Technology (SIAST) took a step into the future when it received nearly $160,000 in telecommunications equipment and services from SaskTel and Northern Telecom Canada Limited. SIAST will use its new Meridian DV-1 integrated voice and data system to provide sophisticated technical training, including theory, servicing, installation and maintenance for this advanced, state-of-the-art equipment.

Assistance to other organizations

Other major corporate contributions included donations to Saskatchewan Crime Stoppers, Saskatchewan Safety Council, Canada Western Agribition,



Members of local Saskatoon swimming club.

Regina Rams, Saskatchewan Roughriders, and the Canadian curling championship at Saskatoon in March 1989. In addition, SaskTel provided financial support to federal, provincial and local fundraising drives, service clubs, libraries and organizations that sponsored cultural events across the province. In total, SaskTel contributed $400,000 in 1988 to more than 500 non-profit and charitable organizations to assist them with their numerous worthwhile projects and programs.

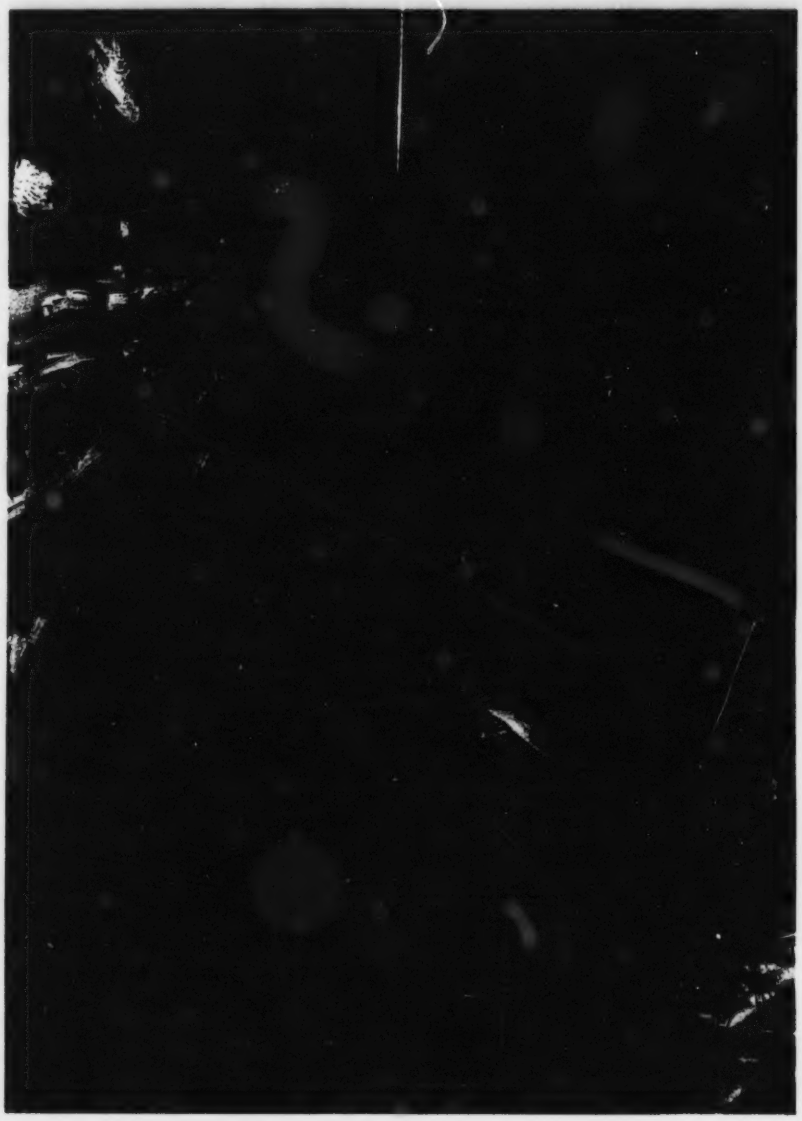
Employees contribute

SaskTel employees who live and work in more than 60 communities throughout Saskatchewan also gave generously of their time and talents in 1988 by taking part in a wide range of sporting, cultural, and social activities. Many employees continued to demonstrate their commitment to their community by donating generously to worthy organizations through their local Telephone Employee Benevolent Fund. These financial contributions, along with a 50 percent corresponding donation by SaskTel, exceeded $250,000 in 1988.

Hundreds of current and retired employees are members of the Telephone Pioneers of America and are involved in more than 40 ongoing community and environmental projects. Saskatchewan Chapter 59 Pioneer activities typically focus on helping to improve the quality of life for individuals with special needs.

Celebrating the corporation's 80th anniversary

To help commemorate its 80th anniversary, selections from SaskTel's art collection were shown at smaller communities across the province. The traveling display, featuring 18 works of art by Saskatchewan artists, drew enthusiastic responses from those who viewed the art work at each of 19 locations visited during the exhibit's tour.



Radville children enjoying SaskTel's 80th anniversary art tour.

The SaskTel collection, with more than 250 paintings, drawings, prints and sculptures, originated in the early 1980s in support of Saskatchewan artists.

Another activity to commemorate SaskTel's 80th anniversary was the opening of an historical display at the corporation's head office in Regina. The display at 2121 Saskatchewan Drive features telecommunications products – from a replica of the liquid transmitter that electrically carried the first human words ever uttered – to the advanced, fully integrated Meridian DV-1 terminal which is capable of handling voice and data communications simultaneously.

An historical magazine, *Answering the call*, was also produced to highlight SaskTel's eight decades of service to the people of Saskatchewan. Copies of the publication are available from Telmarts and Business Centres throughout the province.

SaskTel International

Gaining solid reputation

SaskTel International has earned a solid reputation as a top supplier of telecommunications technology and expertise.

In its first two years, SaskTel's leadership in the application of advanced technologies, particularly in fiber optics and digital switching, helped open the doors to international markets. In 1988, however, SaskTel International found that its own reputation as a company, not tied to a specific supplier, was helping it win contracts by providing flexible, cost-effective solutions.

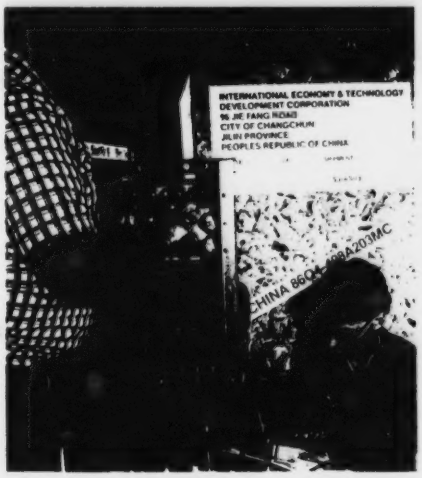
During the year, SaskTel International's focus was to increase its effectiveness and compete even more aggressively in the international marketplace. As a result, SaskTel International continued to expand its international opportunities through approaches such as strategic partnerships and joint ventures with other public and private sector organizations.

A growing list of accomplishments

In 1988 SaskTel International's list of accomplishments continued to grow as it helped to develop, expand and modernize telecommunications systems and services around the globe.

Major activities for SaskTel International during the year included:

- A $10 million agreement to upgrade the telecommuncations equipment and facilities of the Tanzania Railway Corporation. The four-year project, undertaken in association with Douserv, a Montreal-based engineering firm, will provide consulting, technical, purchasing and logistical services to help modernize Tanzania's national railways.



Bob Fedor (left) and Dwayne Schmitz inspect a switchboard prior to shipment to China.

- A $2 million agreement between SaskTel International and the other two members of the Canadian Communications International (CCI) consortium to supply and install a telecommunications system between the Jilin Power Company's facilities in the cities of Changchun and Beijing in China. The fifteen-month project is scheduled for completion during June 1989.

- A $1 million contract to provide Pacific Telecom Inc. in the United States with a highly sophisticated software system used for the assignment and administration of inside and outside telephone plant facilities. The MARTENS software package, acknowledged as among the world's best for this particular application, replaces error-prone paper records and contributes significantly to increased productivity and customer satisfaction.

- SaskTel International earned $1 million during the year under a contract with Northern Telecom in the United States. The project involves commissioning of new digital switching systems at a number of U.S. locations.

Managing change effectively

As the Information Age advances and competition increases, no resource will prove to be more crucial to SaskTel's continued success than the knowledge and skills of its employees. Although technology is the engine that drives change, it is the dedication and skill of each individual employee which has been the basis of SaskTel's success. In recognition of this, SaskTel continues to invest heavily in the career development of its employees, through a wide range of training and retraining programs.

SaskTel's employees share a positive attitude about the changes that have taken place in the corporation over the last few years, including restructuring, the creation of new divisions and participation in diversification opportunities. SaskTel concentrated its efforts during 1988 to ease employee transitions to new endeavors and to preserve continuity of operations.

During 1988, SaskTel invested $6 million dollars to help employees sharpen their technological and management skills and to prepare them for the many challenges ahead. More than 17,600 person-days of training took place during the year as 6,740 students attended one or more of the 1,600 courses provided. In addition, more than 500 employees were reimbursed for their expenses after successfully completing courses under SaskTel's out-of-hours Educational Assistance Program.

Streamlining operations

During 1988 SaskTel implemented a Human Resources Management System which consolidates individual employee information into an accurate, fully integrated database. Information contained in this computerized system includes education, special skills, work history, and seniority. The system will enhance career development opportunities and help to strengthen job stability.

Significant cost savings and productivity gains were achieved as a result of ongoing modernization and mechanization programs aimed at speeding up the processing of service orders, assigning facilities, and reducing the time required to respond to trouble reports. In addition, the Earnings Improvement Program (EIP), which encourages employees to suggest ways in which the corporation can operate more efficiently and improve revenues, continued to yield positive results. Cost savings of more than $24.2 million have been realized since this program was implemented in 1981.

Recognizing outstanding efforts

In carrying out the customer-first philosophy in their daily tasks, employees are demonstrating their desire and ability to meet increased competition head on and come out on top.

SaskTel's "We're Absolutely Sure" program, which met with great success during its introduction in 1987, was continued in 1988. Under the program, employees are nominated each month and winners receive an appropriate award in recognition of their outstanding customer service.

A tradition of quality service

Providing telecommunications to a province the size of Saskatchewan, with its widely scattered population, has been a continuous challenge to SaskTel for more than 80 years.

From its beginnings in the Department of Railways, Telegraphs and Telephones in 1908, SaskTel has evolved from a sub-department, serving a few thousand telephone customers, to one of the province's largest corporations.

Today, with 450,000 customers and revenues of more than $500 million, SaskTel provides an ever-increasing array of advanced telecommunications products and services. With the ongoing deployment of digital switching and transmission systems on a province-wide basis, the doors to universal, Information-Age services are beginning to open wider with each passing year.

The "Spirit of Service"

Since the early days of telephony in Saskatchewan, SaskTel's many innovative programs and projects have constantly reflected one of the most important traditions of the telephone industry - it's "Spirit of Service".

In an industry where adapting to change is a way of life, it is a tradition that will present even greater challenges as the pace of technology accelerates and competition becomes more widespread.

To ensure that the "Spirit of Service" remains firmly in place in Saskatchewan, SaskTel employees have rededicated themselves to meeting the needs of each and every customer. As a result, SaskTel employees will continue to provide the highest quality services on a daily basis, while preparing for the challenges that lie ahead by being the very best at what they do - today and in the years to come.

Customers speak out

Dennis Kingwell, Diginex communications consultant with Brian Clark, operations supervisor, Ridsdale Transport.

Staying ahead of the competition with Envoy 100

Ridsdale Transportation

Family-owned, Saskatchewan businesses like Ridsdale Transportation, epitomize the heart and soul of the Canadian economy. Many of these companies require the right technology to meet their needs and remain competitive

Four years ago, SaskTel approached Ridsdale, headquartered in Saskatoon, and interested the 41-year-old company in using Envoy 100, Canada's fastest-growing public electronic messaging service.

Why Ridsdale chose Envoy 100

Brian Clark, Ridsdale operations supervisor, says, "The primary reason for obtaining the Envoy 100 service was to reduce costs." He estimates that Ridsdale has saved as much as 20 percent of inter-terminal communication costs by switching to Envoy 100. "Furthermore, we got the Envoy 100 because of its compactness, ease of operation, and it wasn't as cumbersome as our old system," says Mr. Clark.

He estimates the company handles between 10,000 to 15,000 pieces of freight a day for its 1,500 customers in Saskatchewan, Alberta and Manitoba. The company has seven terminals located throughout the province, plus another in Winnipeg, Manitoba. For Ridsdale, inter-terminal communication is important, especially for controlling freight, tracking missing freight, and determining location and freight contents of the company's fleet of 100 vehicles.

The Envoy 100 messaging service helps this inter-terminal communication by allowing subscribers to compose, edit, send, receive and store written messages without experiencing delays. As Mr. Clark says, "We don't need a big machine in the middle of the office, rather everyone has their own personal computer. Consequently, our on-line time has been cut-down considerably and we're able to compose messages much quicker."

A company like Ridsdale Transportation, which offers 24-hour service with urgent deadlines, needs a reliable service. Mr. Clark adds, "We're striving for fast, reliable service with the end result being a satisfied customer."

Happy customers keep Ridsdale moving

Satisfying customers is a team effort and efficient communication plays a large role in keeping Ridsdale's clients happy. "Envoy 100 has been very reliable, and subsequently, we haven't needed much service or repair from SaskTel," says Mr. Clark, who adds, "What service we have required has been very good."

SaskTel's proactive solutions - such as recommending the Envoy 100 - are enabling companies like Ridsdale Transportation to save money and time by using today's technology. In turn, it helps keep Ridsdale on the road, profitably and efficiently across the West.

iNet 2000

The intelligent network

To gain access to more than 1,700 computer databases from across the country, all you need is a computer, a modem, a telephone line and a little iNet 2000 technology.

iNet 2000 is a network-based communications service which uses telephone lines to link terminals with information databases and with other terminals. The service has made it possible to provide a number of customized applications, tailored to the specific needs of each user group.

Margaret Viswanathan (Estevan) sends a claim to MCIB's mainframe computer in Regina.

CBANET

The Canadian Bar Association's custom communications network, CBANET, is based on iNet technology. Subscribing members of the legal profession in Canada can use CBANET to access anything from tax legislation to the status of a Supreme Court case. It's as easy as dialing the phone. Once connected, a special user ID directs the user inquiry to the right service.

The legal firm of Annand, Knight and Nystuen in Melfort has used CBANET for two years, primarily to access information about legal precedents. Mel Annand says, "CBANET has been helpful to us and the results have been encouraging."

InfoHealth

InfoHealth is another customized communication network based on iNet 2000 technology.

InfoHealth means instantly transferring health claims with the cooperation of the Medical Claims Insurance Branch (MCIB) of Saskatchewan Health. The InfoHealth database links a personal computer in a doctor's office with MCIB's mainframe. This application of iNet technology is a significant advantage to rural health clinics in Saskatchewan because it saves the clinic time and money in long distance charges while sparing the MCIB administration costs.

"A claim gets to us in a matter of minutes," says Dietmar Bartel, Systems Analyst for the MCIB. "If there is a problem with the information on the claim, we let the sender know right away."

Many other applications

Other applications using iNet as the network base include TravelNet and VetNet. TravelNet allows the travel industry to provide customers with immediate, confirmed seat bookings by accessing airline databases. VetNet allows veterinarians to access medical information, convey confidential medical information and even advertise veterinary services.

Fingertip information

With iNet, the information of more than 1,700 computer databases is literally at your fingertips. With a few simple computer commands, the user may access a wealth of accurate, up-to-date information - instantly.

It's just another way in which SaskTel is applying advanced technology to provide customized solutions to help organizations operate more effectively and efficiently.

The entrepreneurial 1980s

Helping enterprising individuals succeed

The entrepreneurial '80s have produced many success stories. More than one million Canadians have become entrepreneurs, and Linda Fettes, 40, is one of those success stories.

In Saskatchewan, the number of entrepreneurs is also on the increase. Many of these business customers require efficient telephone answering systems. And SaskTel is providing the advanced technology that these enterprising individuals need.

Fettes owns Business Services Incorporated (BSI), a company providing a range of executive office services from office space to telephone answering services in Regina.

Linda Fettes typifies many entrepreneurs. The former schoolteacher opened her business nine years ago and now has more than 100 clients, including 42 who have individual, private offices and receive total client services.

The Axon 8000 II: A first in Canada

Fettes says, "The phone system is the major difference for most customers when I make my final selling pitch."

And the real difference for BSI has been the Axon 8000 II call messaging system. It's the first system of its kind to be installed in Canada.

The three most attractive features about the Axon system are its price, reliability and the superb training programs, says SaskTel communications consultant Bruce Boynton. In turn, Fettes also decided to purchase the Axon 8000 II for numerous reasons, including the need to replace obsolete equipment and her decision to upgrade BSI's services to include the personalized telephone answering services that many companies want today.

SaskTel's service makes the difference

Fettes chose SaskTel because BSI needed a service department within the city. "When the phones are down, we need someone in 15 minutes," says Fettes, who adds, "SaskTel guaranteed they would keep the system working."

Boynton says, "BSI is dealing with us because we're dependable. That was her main concern." And this dependability paid off in a 10-year agreement to service and maintain the Axon 8000 II.

SaskTel is committed to helping entrepreneurs such as Linda Fettes grow and remain competitive by providing them with the technology they need.

People such as Bruce Boynton, with dedicated staff support, are winning customers - such as BSI - with their reputation and expertise. SaskTel is keeping them satisfied with quality service and dependability. It's all adding up to happy entrepreneurs like Linda Fettes.

SaskTel's Bruce Boynton and Linda Fettes of Business Services Incorporated.

SaskTel's Barry Rutherford (left) and Ron Mills, Federated Co-operatives Limited.

The Co-operative tradition

FCL celebrates its 60th year

Built on the tradition and objectives of the co-operative movement, Federated Co-operatives Limited (FCL) is the central wholesaling, manufacturing, marketing and administration organization for 332 member retail co-operatives located across Western Canada. FCL is part of the Co-operative Retailing System which serves the needs of an estimated 750,000 Co-op members.

During the past 60 years, FCL has grown to encompass a diversified network of retail stores, feed plants, and lumber mills. It also operates an oil refinery in Regina through its subsidiary, Consumers' Co-operative Refineries Limited (CCRL). FCL has annual sales of over $1.4 billion and net revenues of $78.4 million, an increase of 30 percent over 1987.

A forward-looking company, Federated has implemented a sophisticated computer communications system from its home office in Saskatoon to manage the multitude of data and information it processes daily.

Keeping up with growing needs

SaskTel's data communications links are instrumental in helping FCL keep up with its rapidly increasing telecommunications needs.

"Our volume of data and print lines is continually expanding. We had an increase of more than 25 percent in 1988," says Ron Mills, FCL Technical Support Director responsible for data systems.

Mills relies on Dataroute and Datalink to handle Federated's data communications from home office and regional warehouses and retail operations. In 1988, FCL processed 80,000 to 90,000 on-line transactions daily and set the equivalent of about 300,000 pages of print from home office monthly.

Dataroute, a high-speed, high-volume dedicated digital network, links computers at FCL's six major regional warehouses with the IBM host computer in Saskatoon. Federated added three more Dataroute lines in 1988 to cut reponse time.

In 55 retail centres, Federated uses Datalink, a digital dial-up network, or, wherever Datalink is not available, MultiCom, which operates over the Direct Distance Dial (DDD) network, to place approximately 6,000 computer calls each month. These systems prove more flexible and cost-effective in these locations as cost is based on usage.

In early 1989, FCL's home office will test Datapac 3303, an on-line packet switching service. FCL is looking at this option as a time and cost-saving means for certain locations with low transaction volumes. "It's a strategic product for us to have in place for the future," Mills says.

Reducing communication costs

Federated relies on SaskTel for high-quality voice technology too. In January 1988, SaskTel installed an SL-1 PBX and an OutWATs system at FCL's home office, enabling the company to reduce the communication costs of 130,000 calls made monthly.

Terry Down, responsible for FCL's voice business communication systems, is more pleased with the increased productivity and savings that have resulted. Down also likes the future applications this system provides. The SL-1 permits use of Mega Stream, an integrated network that can combine voice and data applications.

SaskTel's proactive team approach to customer service is a winner with Federated. Down and Mills credit SaskTel Sales manager, Barry Rutherford, and communication consultants Dennis Kingswell and Harry Nesbitt for helping them do their jobs effectively.

"We have regular planning meetings with SaskTel. They're always coming forward with new ideas," Down explains.

And as the wave of momentum that brought Federated Co-operatives into their 60th anniversary year continues into 1989, FCL knows SaskTel will be moving right along with it.

Making opinions heard

900 Service a winner with STV

STV making news with SaskTel's 900 Service.

In many places, 50 cents won't even buy you a cup of coffee. But with SaskTel's 900 Service, at the very least, 50 cents will buy you a voice on some of the most pressing and controversial issues of our time - just by dialing a 1-900 number.

The 900 Service is a network-based mass calling service that enables a caller to register an opinion, access information or even listen in on a conference - without leaving the home or office.

Leading the way with 900 Service

SaskWest Television (STV) was the first to put the 900 Service into practice in Saskatchewan, with Media Stimulated Calling. Once a week, in the regular season during the 6:00 pm news, half a million STV viewers have an opportunity to call in and vote on a national or regional "hot topic".

"The 900 Service is very good and reliable," says Rick Friesen, STV's Station Manager in Saskatoon. "It's an effective way to encourage viewers to watch and participate in the program."

Viewers are given two 900 numbers, one for a "yes" vote and one for "no". Votes are tallied and often reveal interesting results.

Many applications

The applications of 900 Service are almost unlimited. A 900 number, for example, can let you listen in on conversations between ground control and the crew of a space shuttle or let you vote for the most valuable player in a hockey game. Customers can also use the service to promote products, to advertise, or to promote public service announcements.

900 Service. One more way SaskTel is striving to keep its customers informed and in touch.

Call Accounting. *The best way to account for your telephone time.*

Today's professionals spend a lot of valuable time on the phone. It's not easy to account for that time. Especially when it comes to billing for service.

That's where Call Accounting from SaskTel pays off. It provides a detailed daily report of all your calls. Including who you called. How long you talked. It even lets you code calls so they're billed to specific clients or projects.

Call Accounting. A flexible system for every business.

For more information, call us today: Regina 777-5454 • Saskatoon 931-6468
Southern Saskatchewan 1-800-667-7890
Northern Saskatchewan 1-800-667-3790

Diginex
A Division of SaskTel

Highlights
in brief

Distance education expands learning opportunities

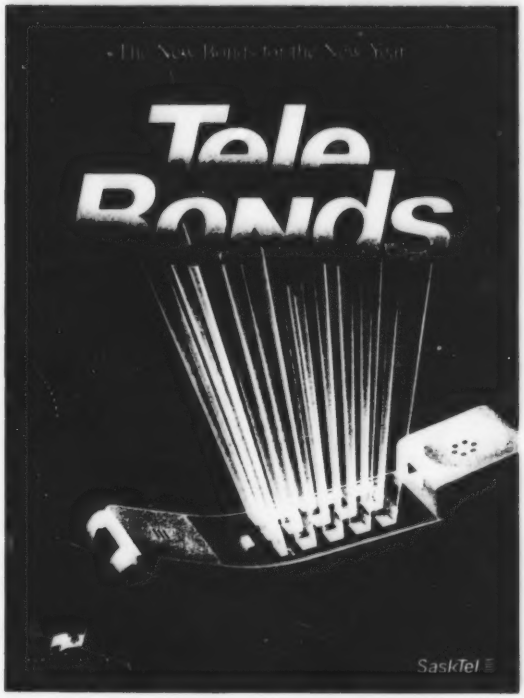
Students in more than 30 Saskatchewan communities had an opportunity to take evening courses in history, psychology, and English from the University of Saskatchewan in 1988 without ever having to set foot on the Saskatoon campus.

The weekly, 2½-hour classes, originating from the University of Saskatchewan, were beamed to students located at each of the 33 educational television sites established across the province through satellite links provided by SaskTel.

The project was set up by Saskatchewan Tele-Learning Association (STELLA) and uses advanced telecommunications technology to expand educational opportunities for students throughout the province, particularly to people living in smaller urban and rural areas.

Another application of distance education television is the ongoing University of Regina program which uses SaskTel's fiber optic network to deliver university credit courses to communities in southern Saskatchewan.

These two projects are a unique way of using video conferencing to economically deliver a wider range of educational services to a growing number of off-campus locations.



TeleBonds

Late in 1988, SaskTel announced its first issue of TeleBonds, providing an opportunity for all Saskatchewan residents to save while participating in the future growth of SaskTel.

More than 33,000 bond applications were received by the March 17, 1989 deadline. The bond sales target was reached with residents purchasing in excess of $100 million worth of TeleBonds.

Two types of bonds were issued - Credit TeleBonds which pay an annual interest of 14%, credited to the holder's telephone bill each month; and Interest TeleBonds which pay an annual interest rate of 11%. Both bonds were available in denominations as low as $100.

Telmart trails receive enthusiastic response

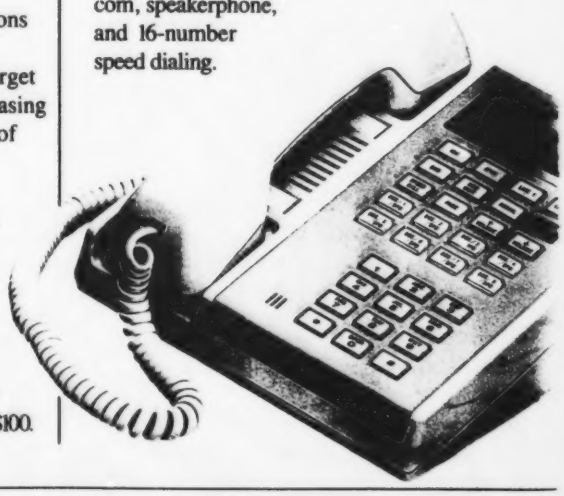
To respond more effectively to customer needs in rural areas, Telmart trials were established in Outlook and Melfort. The Telmart retail sales offices are open two afternoons a week and provide technical staff in both communities with an opportunity to meet with customers and discuss new products and services available to them as the result of the Individual Line Service program and the installation of new digital switching systems.

So far the response has been enthusiastic and customers say they appreciate the convenience of getting a firsthand look at the latest products without having to travel to a larger centre.

Exclusive contract for SmarTalk

SaskTel is now the exclusive distributor in Saskatchewan of the SmarTalk 208 telephone system. Since its introduction in 1987, the two-line, eight-phone SmarTalk system has become one of SaskTel's most successful products.

The SmarTalk 208 is ideal for small businesses and for larger multi-line and PBX customers who want to segment their operations. The telephone system provides sophisticated features such as intercom, speakerphone, and 16-number speed dialing.



Evolutionary step for fiber optic technology

A new technology called "linear photonics" which significantly increases cable television's capacity is being field tested through Cable Regina's distribution network.

Students and teachers at Elsie Mironuck Elementary School in Regina are using linear photonics technology to gain quick access to a dial-a-video service. By simply dialing a number on a touch-tone telephone, teachers have on-line access to more than 100 educational videotapes supplied by the Regina Public School Board, Saskatchewan Education and the National Film Board of Canada. The operational trial, the first of its kind in North America, makes learning more enjoyable for students while providing teachers with easier access to educational information.

In a related project, linear photonics is being used to provide an additional 16 television channels to approximately 136 cable TV customers in northwest Regina, including weather radar information.

Northern Telecom developed linear photonics in cooperation with SaskTel. The new system, the first of its kind, is an evolutionary step in combining fiber optic technology with a coaxial cable distribution network in a cost-effective manner.

Linear photonics has the potential to pave the way for a number of new and exciting customer services for both schools and individual homes. The University of Regina is involved with the development of the initial trial software and compilation of the test results.

Listening to customers with special needs

An advisory panel consisting of six SaskTel representatives and six members of the public who have special communications needs was formed in 1988. The panel will help ensure that SaskTel continues to provide the best possible service to people with special telecommunication requirements.

The formation of the advisory panel follows a SaskTel program, implemented in 1987, to expand and upgrade communication services to individuals with special needs. In conjunction with the program, SaskTel took over the responsibility for operating a relay centre for customers with hearing impairments.

A catalogue describing the many SaskTel products and services available for customers with special needs was distributed throughout the province during the year. Additional copies are available at all Telmarts and SaskTel Business Centres.

TeleForum service

TeleForum, using advanced digital technology, is the newest state-of-the-art teleconferencing service available from SaskTel.

TeleForum is easy to use, saves time and provides immediate access to key personnel regardless of their location. The use of digital technology provides clear, consistent sound quality.

Customers can either have a TeleForum conference operator assist with setting up the call or handle it themselves.

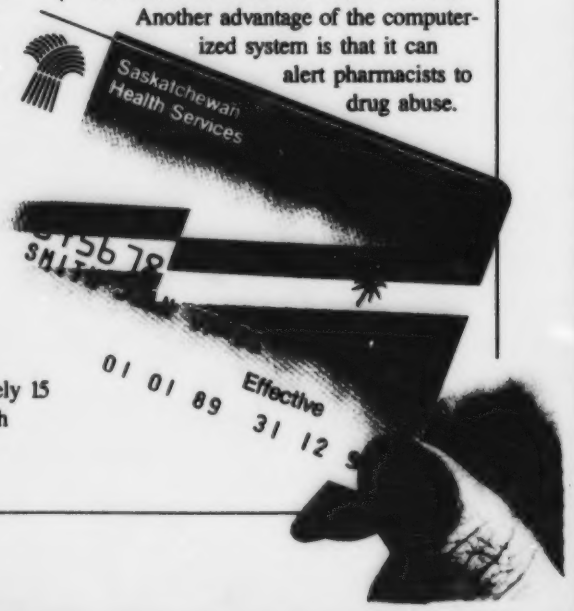
Datapac helps improve health care

The Saskatchewan health department's automation of the Saskatchewan Drug Plan will improve health care services, with the help of SaskTel's Datapac network.

Each of the province's 330 pharmacies will have a computer terminal linked by SaskTel's Datapac 3201 network to a central computer in Regina. The automated system is the first health care plan in Canada to use a magnetically encoded plastic card for the purchase of prescription drugs. Scheduled to start in January 1989, the new system will significantly reduce the administration costs of processing the approximately 15 million claims Saskatchewan Health receives each year.

A significant benefit for the 780,000 card users is that when residents reach their deductible level, they will pay only 20 percent of the prescription cost. Previously, customers paid the full cost of the prescription and then submitted their bills to obtain a rebate.

Another advantage of the computerized system is that it can alert pharmacists to drug abuse.



Financial
highlights

Consolidated net income grew to $70.1 million in 1988 compared to $50.5 million in 1987 and $36.5 million in 1986. 1988 earnings reached record levels for the second consecutive year and represent a 7.6% return on average capital employed (5.6% in 1987).

Favourable growth in long distance calling, increased participation in the Telecom Canada revenue settlement pool and continued recovery of the Canadian dollar have all contributed to the unprecedented level of earnings. SaskTel's investment in Westbridge Computer Corporation has also provided a one-time extraordinary gain of $6.8 million.

Operating revenues increased to $513.4 million in 1988 ($469.5 million in 1987), an increase of $43.9 million or 9.3% over 1987 (4.4% in 1987). SaskTel last increased local access rates on December 15, 1987 when a 5% increase was implemented. The last general rate increase took place in August 1983. In August 1987, the corporation implemented a reduction for out-of-province long distance calls which averaged 5%. In addition, reduced rates for overseas calling took place in 1988.

Local service revenues, primarily representing monthly customer equipment rentals and corresponding installation charges, totalled $134.1 million in 1988 ($125.2 million in 1987), an increase of $8.9 million or 7.1% over 1987 (3.1% in 1987). The growth in 1988 reflects favourable increases in network accesses (number of lines in service) for business customers during the year which grew 5.3% over 1987 levels. Small rate adjustments to many of the local service categories (effective December, 1987) have also contributed to the revenue growth.

Residence network accesses increased marginally in 1988 and residence extension revenue erosion continued as some customers opted to buy rather than rent their extension sets.

Long distance service revenues showed stronger than expected growth totalling $344.6 million for 1988 ($311.9 million in 1987), reflecting an increase of $32.7 million or 10.5% over 1987 (6.7% in 1987).

In-province long distance revenues totalled $158.7 million in 1988, an increase of $10.5 million or 7.1% over 1987 (3.7% in 1987). Long distance messages within the province grew to 89.9 million in 1988 (85.3 million messages in 1987), an increase of 5.5% over 1987 (3.4% in 1987).

Out-of-province long distance revenues totalled $185.9 million in 1988, an increase of $22.2 million or 13.6% over 1987 (9.5% in 1987). Long distance messages to destinations outside the province grew to 35.8 million in 1988 (31.9 million messages in 1987), an increase of 12.3% over 1987 (12.9% in 1987). SaskTel's strong financial performance and continued investment in telephone plant through the rural Individual Line Service Program have contributed to increased participation in the Telecom Canada revenue settlement pool, and correspondingly to out-of-province revenue increases for 1988.

Other operating revenues including directory advertising, sales-type leases for PBX and key systems, Telmart sales, and other miscellaneous items, totalled $38.4 million in 1988 ($35.2 million in 1987), an increase of 9.1% over 1987 (9.8% in 1987). Favourable growth in Telmart sales as well as rate increases for directory advertising contributed to the increases in 1988.

Operating expenses totalled $394.2 million in 1988 ($357.0 million in 1987), an increase of $37.2 million or 10.4% over 1987 ($10.0 million or 2.9% increase in 1987).

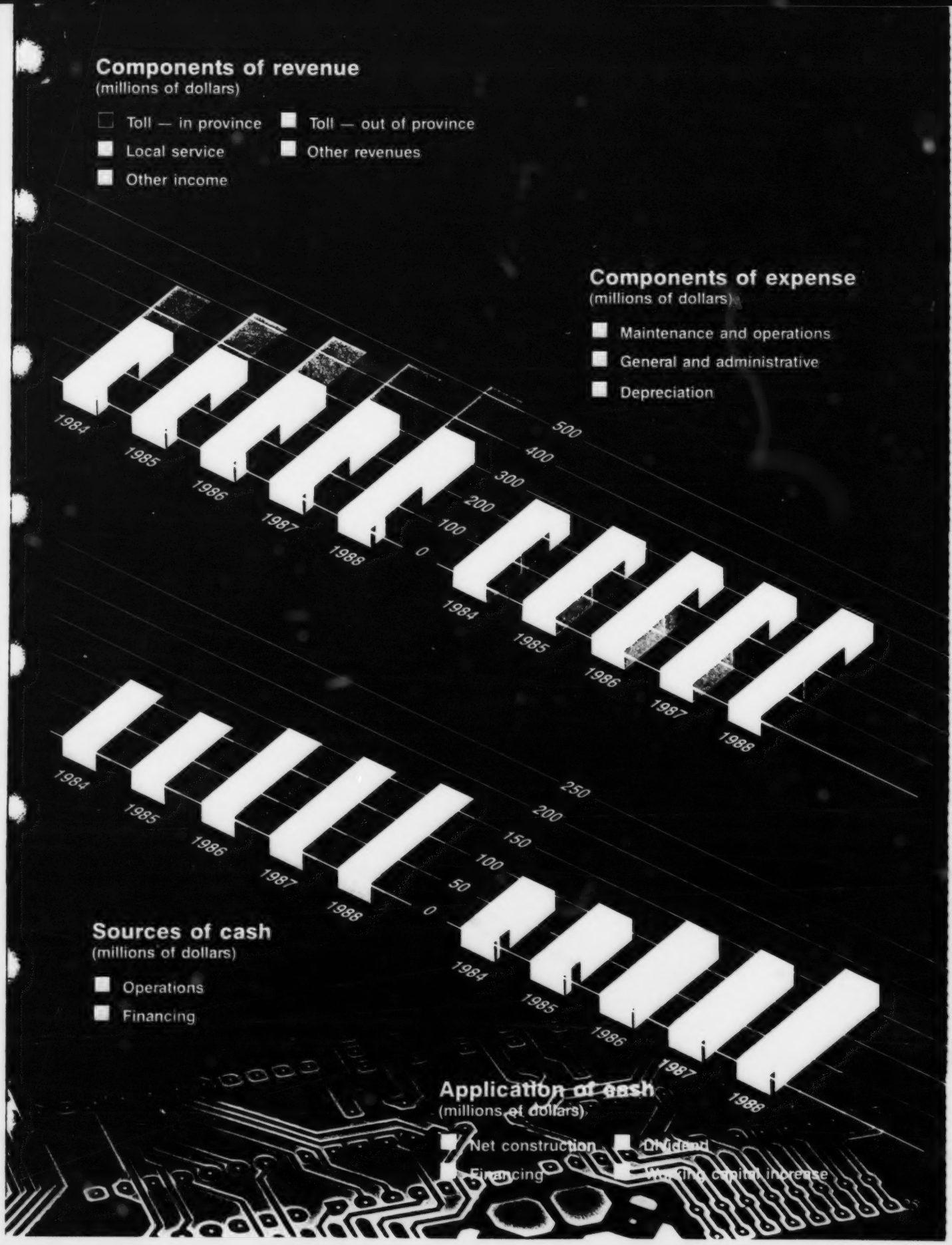
In 1988 the increases were attributable to lump sum salary settlements with union employees, additional depreciation on telephone plant, continuing efforts towards a fully digital switching network, further emphasis on improving customer service and preparation for the future through mechanization projects.

Other income for the year totalled $11.7 million ($8.6 million in 1987), an increase of $3.1 million or 36.6% over 1987. The increases are due to growth in net sales by SaskTel International and the positive impact of Westbridge Computer Corporation's 1988 operations. Other income also includes interest income from sales-type leases and notes receivable.

Interest and related costs (net) amounted to $67.6 million in 1988 ($70.5 million in 1987) a decrease of $2.9 million or 4.1% from 1987. Despite a small increase in borrowing, the effects of the recovering Canadian dollar have reduced interest costs (as well as the provision for repayment) of outstanding U.S. denominated debt.

Cash flow from operating activities generated $150.0 million in 1988 ($144.6 million in 1987) and net construction activities used $151.9 million ($142.1 million in 1987).

Financing activities included net new borrowing of $23.5 million ($2.7 million short-term notes from the Province of Saskatchewan and $20.8 million long-term debt borrowed from the Canada Pension Plan), net repayment of long-term debt of $15.8 million and a dividend payment on 1987 earnings of $25.3 million to the Province of Saskatchewan. The corporation's debt-equity ratio dropped from 74.1% in 1987 to 67.5% as at December 31, 1988.


Components of revenue
(millions of dollars)
Toll — in province
Toll — out of province
Local service
Other revenues
Other income
Components of expense
(millions of dollars)
Maintenance and operations
General and administrative
Depreciation
1984
1985
1986
1987
1988
0
100
200
300
400
500
0
50
100
150
200
250
Sources of cash
(millions of dollars)
Operations
Financing
Application of cash
(millions of dollars)
Net construction
Financing
Dividend
Working capital increase

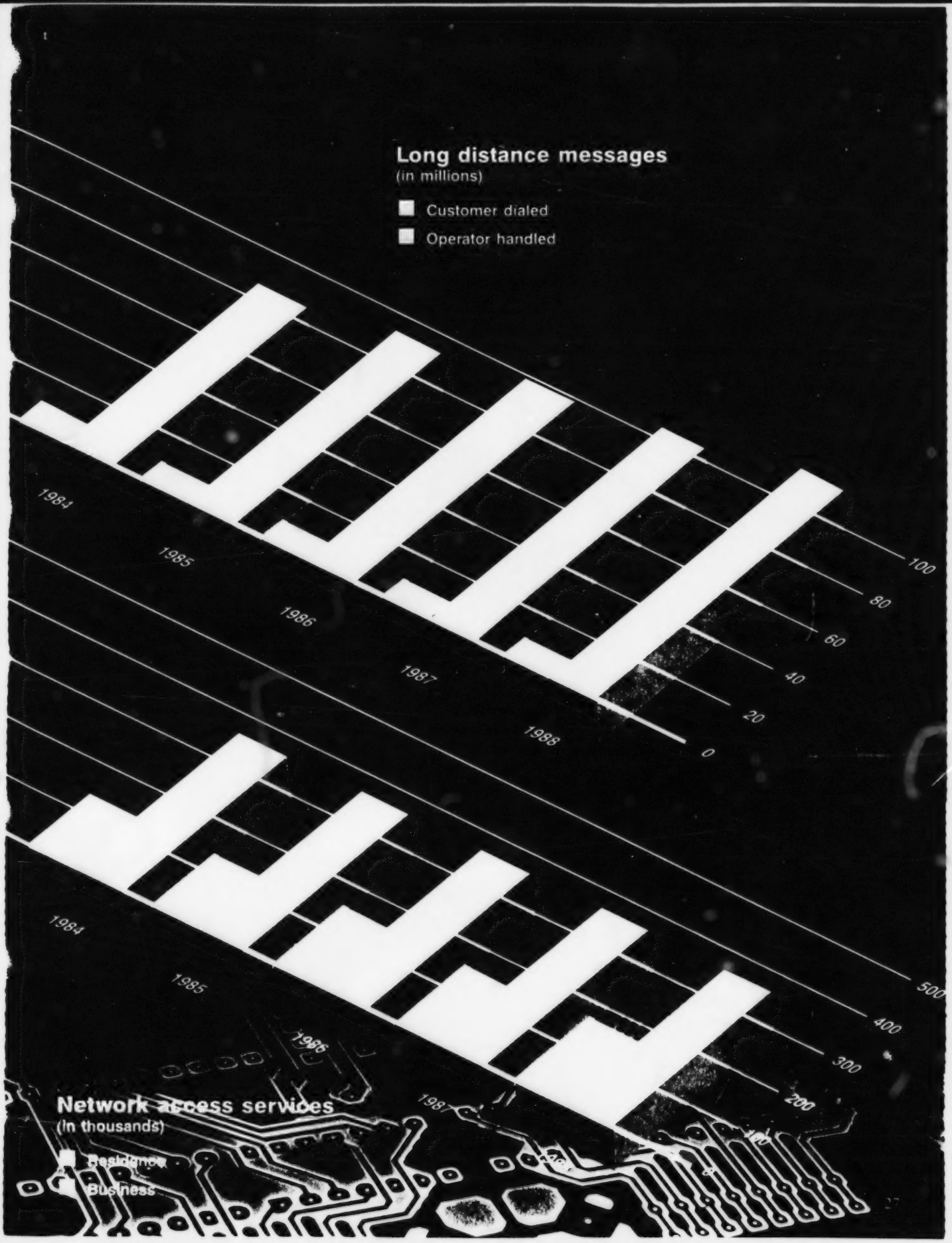
Five-year record of service

For the year ended December 31

	1988	1987	1986	1985	1984
Network access services**	**540,884**	531,929	522,674	508,836	497,483
Originated long distance messages					
(In thousands)					
Telephone	**106,000**	98,827	94,768	91,561	86,177
Data, and other voice services	**19,763**	18,345	15,931	12,802	10,208
Total messages	**125,763**	117,172	110,699	104,363	96,385
Finance					
(In thousands of dollars)					
Operating revenues	**$ 513,425**	$ 469,548	$ 449,622	$ 423,678	$ 392,021
Operating expenses	**394,174**	357,048	347,033	318,194	287,705
Other income	**11,665**	8,542	4,776	3,161	2,701
Interest and related costs	**67,626**	70,502	70,845	71,661	71,417
Net earnings	**70,113**	50,540	36,520	36,984	35,600
Dividend	**237,721**	25,270	18,260	18,492	17,800
Gross construction expenditures	**163,404**	153,515	144,575	108,768	93,951
Property, plant and equipment*	**1,448,032**	1,357,622	1,301,163	1,260,355	1,192,832
Long-term debt - gross*	**759,195**	772,140	780,872	760,385	752,406
Financial ratios					
Return on average capital employed	**7.6%**	5.6%	4.3%	4.4%	4.3%
Debt as a percent of year-end capital*	**67.5%**	74.1%	76.6%	77.7%	79.3%
Internally generated funds as a percent of net construction expenditures	**102.8%**	87.8%	91.1%	107.7%	125.6%
Employees and payroll					
Number of employees*	**4,525**	4,508	4,504	4,458	4,382
Salaries earned (thousands of dollars)	**$ 166,893**	$ 156,169	$ 156,794	$ 147,908	$ 138,528

**Represents each working facility having primary connection to our network as at December 31

* At December 31

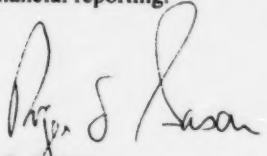

Long distance messages
(in millions)
Customer dialed
Operator handled
1984
1985
1986
1987
1988
0
20
40
60
80
100
1984
1985
1986
1987
0
100
200
300
400
500
Network access services
(in thousands)
Residence
Business

Management's responsibility for financial statements

The financial statements which follow have been prepared by management in conformity with accounting principles generally accepted in Canada and have been examined and approved by the Board of Directors. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

To ensure the integrity and objectivity of the financial data, management maintains a comprehensive system of internal controls including written policies and procedures, an organization structure that segregates duties, and a comprehensive internal audit program. These measures provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, that assets are properly safeguarded, and that reliable financial records are maintained.

The Board of Directors fulfills its responsibility with regard to the financial statements principally through its Audit Committee, consisting solely of outside directors, which meets periodically with management as well as with internal auditors and the external auditors. The latter have free access to this committee to discuss their audit work and their opinion on adequacy of internal financial controls, and the quality of financial reporting.



R.E. Bason
Vice President
Finance and Corporate
Development

Regina, Saskatchewan
March 23, 1989

Auditor's report

To the Members
of the Legislative Assembly
Province of Saskatchewan:

We have examined the consolidated statement of financial position of Saskatchewan Telecommunications as at December 31, 1988 and the consolidated statements of operations, and retained earnings and changes in cash position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Chartered Accountants

Regina, Saskatchewan
March 23, 1989

Consolidated statement of operations

For the year ended December 31

	1988	1987
	(Thousands of dollars)	
Operating revenues		
Long distance service	$344,579	$311,853
Local service	134,063	125,216
Other	38,366	35,171
Uncollectible operating revenues	(3,583)	(2,692)
	513,425	469,548
Operating expenses		
Maintenance and operations	154,043	139,377
Depreciation (Note 2)	95,333	93,001
General and administrative	144,798	124,670
	394,174	357,048
Net operating revenue	119,251	112,500
Other income	11,665	8,542
	130,916	121,042
Interest and related costs (Note 3)	67,626	70,502
Net earnings, before extraordinary item	63,290	50,540
Extraordinary item (Note 4)	6,823	—
Net earnings	$ 70,113	$ 50,540

Consolidated statement of retained earnings

For the year ended December 31

	1988	1987
	(Thousands of dollars)	
Retained earnings, beginning of year	$237,721	$212,451
Net earnings	70,113	50,540
	307,834	262,991
Dividend declared (Note 5)	237,721	25,270
Retained earnings, end of year	$ 70,113	$237,721

Consolidated statement of financial position

As at December 31

	1988	1987
	(Thousands of dollars)	
Assets		
Property, plant and equipment (Note 6)	$ 876,031	$ 835,989
Deferred charges (Note 7)	16,623	33,581
Investments (Note 8)	29,263	999
Investment in leases (Note 9)	16,101	16,655
Notes receivable (Note 10)	24,794	32,933
Current Assets		
Cash	—	1,530
Accounts receivable	78,061	71,340
Inventory for resale	5,860	6,044
Prepayments	6,832	5,393
	90,753	84,307
	$1,053,565	$1,004,464
Liabilities and province's equity		
Long-term debt (Note11)	$ 623,664	$ 647,240
Province of Saskatchewan's equity		
Equity advance (Note 12)	250,000	—
Retained earnings	70,113	237,721
	320,113	237,721
Current liabilities		
Bank overdraft	5,370	—
Accounts payable	39,513	38,009
Notes payable (Note 13)	33,500	30,800
Interest accrued	15,942	16.617
Dividend payable	—	25,270
Service billed in advance	6,976	6,560
Current portion of long-term debt (Note 11)	8,487	2,247
	109,788	119,503
	$1,053,565	$1,004,464

Approved by the Board

Bette Harris

Twila Teal

Consolidated statement of changes in cash position

For the year ended December 31

	1988	1987
	(Thousands of dollars)	
Cash from operations		
Net earnings	**$ 70,113**	$ 50,540
Add: Depreciation and other items not requiring or generating cash (net)	**86,821**	99,722
Total from operations	**156,934**	150,262
Net change in working capital (Note 14)	**(6,930)**	(5,628)
Cash provided by operating activities	**150,004**	144,634
Cash from financing		
Proceeds from long-term debt	**20,779**	13,597
Proceeds from notes payable	**2,700**	20,800
Proceeds from notes receivable	**28,800**	—
Proceeds from equity advance	**250,000**	—
Investment in Westbridge shares	**(26,595)**	—
Investment in Westbridge debenture	**(1,800)**	—
Repayment of long-term debt	**(15,855)**	(20,922)
Dividend payment	**(262,991)**	(18,260)
Cash used in financing activities	**(4,962)**	(4,785)
Cash for construction		
Gross construction expenditures	**(163,404)**	(153,515)
Change in material and supplies	**45**	(1,241)
Net salvage, capital contributions and other items not requiring cash	**11,417**	12,634
Cash used in construction activity	**(151,942)**	(142,122)
Net decrease in cash during the year	**(6,900)**	(2,273)
Cash position at beginning of year	**1,530**	3,803
Cash position (bank overdraft) at end of year	**$ (5,370)**	$ 1,530

Notes to consolidated financial statements

Note 1 — The corporation

Saskatchewan Telecommunications (SaskTel), a provincially owned Crown Corporation, markets and supplies a range of voice, data, text and image products, systems and services. Its membership in Telecom Canada enables it to extend its services throughout Canada and to connect its customers to the rest of the world.

The financial results of the corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

Note 2 — Summary of significant accounting policies

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, and in conformity with prevailing practices in the Canadian telecommunications industry.

Consolidation
The consolidated financial statements include the accounts of the corporation's wholly-owned subsidiary, Saskatchewan Telecommunications International, Inc. All significant intercompany transactions and balances have been eliminated.

SaskTel has a 61.1% interest in Westbridge Computer Corporation which is not consolidated because the corporation intends to reduce its holdings of Westbridge common shares to 35% over the next three years.

Property, plant and equipment
Property, plant and equipment is recorded at original cost and includes materials, services, direct labour and associated benefit costs, which are readily quantifiable and identifiable with the construction activity. In addition, the corporation includes the cost of funds used to finance construction, based on the size and duration of the projects.

Deferred charges
Discount and issue expenses relating to long-term debt are deferred and amortized on a straight-line basis over the term of the respective debt issue.

Benefit costs under the corporation's 1986 early retirement plan were amortized over a 24-month period ending August, 1988. In 1988, the amount of $2,337,000 was expensed ($3,506,000 in 1987).

The cost of Westbridge Computer Corporation shares in excess of underlying net assets is being amortized on a straight-line basis over 10 years.

Investments
The corporation's investment in Westbridge Computer Corporation is accounted for by the equity method. Under this method, SaskTel's proportionate share of Westbridge's earnings is reflected in the consolidated statement of operations and added to the carrying value of the investment.

The corporation's portfolio investment is carried at cost and dividend income is reflected when received.

Depreciation
Depreciation is computed on the straight-line, equal-life group method using rates as determined by a continuing program of engineering studies for each class of property in service.

When depreciable telephone property is retired, the original cost of such property, adjusted by any disposal proceeds and costs of removal, is charged to accumulated depreciation.

Pension costs
The cost of pension benefits earned by employees who are members of the corporation's defined benefit plan is determined using the accrued benefit method prorated on service and is charged to expense as services are rendered. This cost reflects management's best estimate of the plan's expected investment yields, salary increases, mortality of members, terminations and the ages at which members will retire.

This plan is actuarially valued at least every three years. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over the estimated average remaining service lives of the employees who are members of the defined benefit plan.

Foreign currency translations
Net long-term debt payable in foreign currency is stated in Canadian dollars at the foreign exchange rate prevailing at December 31. Foreign exchange gains or losses arising on

translation of long-term debt are included in deferred charges and are amortized on a straight-line basis over the current year and the remaining life of the debt.

Interest accrued on long-term debt payable in foreign currency is recorded in Canadian dollars at the foreign exchange rate prevailing at year end. Interest paid during the year on long-term debt is translated at the currency rate prevailing at the interest payment date. Any gains or losses relating to these items are charged to income in the current period.

Sales-type leases
Sales revenues associated with sales-type lease transactions are recognized at the inception of the lease. The net investment in sales-type leases represents the present value of future lease payments receivable. Finance income is recognized when payments are received in a manner which produces a constant rate of return over the term of the lease contract.

Inventories
Materials, supplies and inventory for resale are recorded at the lower of cost and net realizable value. Cost is determined using an average-cost basis.

Note 3 — Interest and related costs

		1988	1987
		(Thousands of dollars)	
Interest charges		**$83,601**	$84,284
Amortization of discount		**540**	470
Amortization of foreign exchange provisions		**(814)**	1,759
		83,327	86,513
Less:	Sinking fund earnings	**13,853**	13,529
	Gain on debt retirement	**259**	100
	Interest charged to construction	**1,488**	2,152
	Interest on temporary cash investments	**101**	230
		$67,626	$70,502

Note 4 — Extraordinary item

	1988	1987
	(Thousands of dollars)	
Extraordinary item	**$6,823**	$ —

During 1988, Westbridge Computer Corporation issued shares to non-government investors reducing SaskTel's ownership interest accordingly. The introduction of these investors into Westbridge resulted in a gain to SaskTel of $6,823,000.

Note 5 — Dividend declared

A dividend of $237,721,000, representing the December 31, 1987 retained earnings balance, was declared and paid in 1988 to Crown Investments Corporation of Saskatchewan. The 1987 declaration of $25,270,000 represented 50% of the current year's earnings.

Note 6 — Property, plant and equipment

	1988	1987
	(Thousands of dollars)	
Buildings, plant and equipment	**$1,384,003**	$1,316,114
Land	**8,297**	8,106
Plant under construction	**39,848**	17,473
Materials and supplies	**15,884**	15,929
	1,448,032	1,357,622
Less: Accumulated depreciation	**572,001**	521,633
	$ 876,031	$ 835,989

The composite depreciation rate on the average depreciable telecommunications property in service was 7.20% in 1988 (7.26% in 1987).

As at December 31, 1988 the ratio of accumulated depreciation to depreciable telecommunications property was 41.3% (1987 - 39.6%).

Note 7 — Deferred charges

	1988	1987
	(Thousands of dollars)	
Applicable to long-term debt:		
Unamortized discount	**$ 4,821**	$ 4,816
Unamortized unrealized net foreign currency losses	**4,782**	26,687
Cost of Westbridge shares in excess of underlying net assets	**7,020**	—
Other deferred charges	**—**	2,078
	$16,623	$33,581

Note 8 — Investments

a) The corporation's investments at December 31 consisted of the following:

	1988	1987
	(Thousands of dollars)	
Class A and Class B common shares of Westbridge Computer Corporation	**$26,398**	$ —
Proportionate share of Westbridge's earnings (61.1%)	**1,866**	—
	28,264	—
Portfolio investment in shares of Telesat Canada	**999**	999
	$29,263	$ 999

b) On February 24, 1988 certain net assets of Saskatchewan Computer Utility Corporation (SaskComp) and SaskTel were transferred to a newly-incorporated company called Westbridge Computer Corporation. SaskTel contributed net assets of its data terminal division and data centre, having a fair value of $34,250,000 and a net book value of $18,000,000, in return for an $18,000,000 interest free note and Class A common shares of Westbridge.

SaskTel subsequently acquired 1,155,000 Class B common shares of Westbridge from a subsidiary of Crown Investments Corporation of Saskatchewan and converted $16,200,000 of the interest-free note to 1,800,000 class B common shares.

As at December 31, 1988 SaskTel holds 1,625,000 class A common shares, with a market value of $8.75 per share, and 2,955,000 class B common shares.

Note 9 — Investments in leases

The corporation's investment as at December 31 consisted of:

	1988	1987
	(Thousands of dollars)	
Total minimum lease payments receivable	**$30,654**	$30,217
Less: Unearned finance income	**9,168**	9,231
Net investment in leases	**21,486**	20,986
Less: Current portion included in accounts receivable	**5,385**	4,331
	$16,101	$16,655

Finance income earned during the year amounted to $3,098,000 (1987 - $2,921,000).

Note 10 — Notes receivable

	1988	1987
	(Thousands of dollars)	
These consist of the following:		
Notes receivable — cable operators	**$25,403**	$26,716
Westbridge Computer Corporation debenture	**1,800**	—
Note receivable — Cadillac Fairview Shopping Centres	—	10,152
	27,203	36,868
Less: Current portion included in accounts receivable	**2,409**	3,935
	$24,794	$32,933

Notes receivable — Cable operators
This consists of twelve separate notes, the majority of which mature on October 1, 1996. The tangible portion of the cable television distribution systems sold to specific operators in the province has been pledged as collateral against these notes.

Westbridge Computer Corporation debenture
This consists of a Westbridge Computer Corporation debenture with the principal amount of $1,800,000 due and payable on January 1, 1992. Interest accrues at 9 3/4% per annum payable semi-annually.

Note 11 — Long-term debt, Province of Saskatchewan

Percent	Issue date	Due date	Recorded debt outstanding 1988		1987
			(Thousands of dollars)		
6.549	1968	1988	$ —	(b)	$ 2,000
7.416	1969	1989	10,100	(b)	10,100
7.968	1970	1990	9,806	(b)	9,806
4.875	Oct. 1, 1965	Oct. 1, 1990	7,036	(a)	7,666
7.000	1971	1991	9,461	(b)	9,461
16.375	Oct. 1, 1981	Oct. 1, 1991	59,625	(a)	64,965
7.403	1972	1992	15,093	(b)	15,093
7.563	1973	1993	8,644	(b)	8,644
13.375	Apr. 1, 1981	Apr. 1, 1996	73,955		73,955
7.750	Feb. 15, 1973	Feb. 15, 1998	5,000		5,000
8.250	Dec. 3, 1973	Dec. 3, 1998	15,000		15,000
10.000	Dec. 2, 1974	Dec. 2, 1999	25,000		25,000
11.750	June 2, 1980	June 2, 2000	25,000		25,000
9.875	Nov. 3, 1975	Nov. 3, 2000	2,222		2,222
10.250	Apr. 1, 1976	Apr. 1, 2001	25,000		25,000
9.000	Feb. 1, 1977	Feb. 1, 2002	25,000		25,000
13.000	Dec. 1, 1982	Dec. 1, 2002	75,000		75,000
12.250	Mar. 30, 1983	Mar. 30, 2003	25,000		25,000
9.500	June 15, 1978	June 15, 2003	30,000		30,000
11.650	1983	2003	8,182	(b)	8,182
12.966	1984	2004	28,956	(b)	28,956
10.000	May 15, 1979	May 15, 2004	40,000		40,000
9.583	1986	2006	32,598	(b)	32,598
8.700	Nov. 15, 1976	Nov. 15, 2006	59,279	(a)	64,965
10.241	1987	2007	13,597	(b)	13,597
8.625	May 15, 1977	May 15, 2007	55,024	(a)	64,965
9.250	Apr. 27, 1978	Apr. 15, 2008	54,838	(a)	64,965
10.092	1988	2008	20,779	(b)	—
			759,195		772,140
Less:					
Equity in sinking funds			127,044		122,653
Due within one year			8,487		2,247
Net long-term debt - December 31			$623,664		$647,240

(a) Represents long-term debt repayable in United States dollars having a U.S. face value of $197,737,000 converted to $216,691,000 Canadian at the time of issue. It is recorded in Canadian dollar equivalent of $235,802,000 based on the foreign exchange rate prevailing as at December 31, 1988 of 1.1925 (1987 — 1.2993).

(b) Long-term debt totalling $157,216,000 received through the Canada Pension Plan under 20-year terms, is subject to redemption at six months notice.

(c) Under conditions attached to most long-term debt, the corporation is required to pay annually into sinking funds administered by the Province of Saskatchewan amounts ranging from 1% to 3% of the original value of long-term debt received. The equity shown includes investments denominated in U.S. dollars held in the fund having a U.S. dollar value of $3,229,000 recorded at $3,850,000 Canadian dollar equivalent based on the foreign exchange rate prevailing as at December 31, 1988.

(d) Total sinking fund installments and long-term debt repayments (net of sinking fund equity) on outstanding debt over the next five years are as follows:

1989 — $ 8,487,000
1990 — $ 1,331,000
1991 — $66,619,000
1992 — $ 9,609,000
1993 — $ 7,717,000

Note 12 — Equity advance

An equity advance was received (November, 1988) from Crown Investments Corporation of Saskatchewan (CIC), representing the Province of Saskatchewan's contributed equity in SaskTel. The advance is non-interest bearing and repayable at the discretion of CIC.

Note 13 — Notes payable

Notes payable represents interim capital financing arranged under established lines of credit. As at December 31, 1988 there were $33,500,000 (1987 -- $30,800,000) of outstanding notes payable to the Province of Saskatchewan bearing interest at a rate of 11.0% (1987 -- 8.75%).

Note 14 — Net change in working capital

Cash provided (applied) by changes in working capital:

	1988	1987
	(Thousands of dollars)	
(Increase) decrease in current assets:		
Accounts receivable	**$(6,919)**	$(4,222)
Prepayments	**(1,438)**	153
Inventory held for resale	**183**	(1,233)
Increase (decrease) in current liabilities:		
Accounts payable	**1,503**	(1,813)
Interest accrued	**(675)**	389
Service billed in advance	**416**	1,098
	$(6,930)	$(5,628)

Note 15 — Commitments

As at December 31, 1988, the corporation was committed in the amount of approximately $55.8 million for construction materials, equipment and services related to switching equipment modernization, construction of buildings and computer equipment.

Note 16 — Pension plans

The corporation maintains pension plans which provide retirement benefits for essentially all employees.

A defined benefit plan is maintained for those employees who were hired prior to October 1, 1977 and who did not elect to transfer to the Public Employees (Government Contributory) Superannuation Plan by October 1, 1978. This latter plan is a defined contribution plan, its funding requirements are established by the Superannuation (Supplementary Provisions) Act and employee contributions are matched by the corporation.

The defined benefit plan provides for pensions at retirement which are based on employees years of service and their highest five years earnings. The plan requires contributions from both employees and the corporation. The corporate contribution rate of 100 percent of employee contributions is based on the latest actuarial valuation of the plan (December 31, 1987).

	1988	1987
	(Thousands of dollars)	
Plan assets at market related value	**$335,791**	$307,853
Present value of accrued pension benefits	**331,846**	310,669
Surplus (deficit)	**$ 3,945**	$ (2,816)

Pension expense for the year amounted to $4,785,000 (1987 -- $4,821,000)

Note 17 — Related party transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms.

Other amounts due to (from) related parties and the terms of settlements are described separately in the financial statements and the notes thereto.

Coincident with the sale of assets to Westbridge Computer Corporation, SaskTel signed a facilities management agreement with Westbridge wherein SaskTel agreed to pay $89,500,000 over five years to Westbridge for computer facilities management services.

Board of directors

(Left to right) Arthur Watt, Craik; William Sheppard, Lucky Lake; Helen Krozser, Markinch; Mary Guenther, Maple Creek; Hon. J. Gary Lane, Q.C., Regina.

Committees of the board

(Left to right) Gordon McMillan, Swift Current; Brenda Fahselt, Cabri; Twila Teal, Saskatoon; Bette Harris, Nipawin; Jack McFaull, Saskatoon.

(Left to right) Garth Kennedy (Chairman), Regina; Iris Miller-Dennis, Regina; Maureen Barrie, Quill Lake; Lyle Taylor, Melfort; Josie Black, Estlin.

Audit committee
Bette Harris (Chairman)
Maureen Barrie
Brenda Fahselt
Garth Kennedy
Twila Teal

Corporate contributions committee
Lyle Taylor (Chairman)
Josie Black
Mary Guenther
William Sheppard
Arthur Watt

Management resource and compensation committee
Jack McFaull (Chairman)
Iris Miller-Dennis
Garth Kennedy
Gordon McMillan

Corporate directory 1988

Executive officers

James A. Coombs
President &
Chief Executive Officer

Roger E. Bason
Vice President
Finance and Corporate
Development

David R. Carlin
Vice President
Operations North

Christopher J. Elmer
Vice President
Business Development

B. William Lambert
Vice President
Engineering

John C. Meldrum
Vice President
and Corporate Counsel

H. James Osborne
Vice President
Corporate Affairs

Barry E. Roberts
Vice President
Human Resources,
Supplies and Services

George A. Spencer
Vice President
Operations South

William A. Bruce
President
SaskTel International

Senior operating managers

Doug Campbell
General Manager
Systems and Methods

Basil G Ciepliski
General Manager
Operations
(North Districts)

Dennis Czinkota
General Manager
Supplies and Services

David M. Harvey
General Manager
Access Network
Engineering

Moe Hawrysh
General Manager
Network Planning
and Provisioning

Betty A. Hoffart
Treasurer

Claire Ingles
General Manager
Operator Services

Jack T. Lax
General Manager
Industrial Relations

Ron L. Luebke
General Manager
Operations Saskatoon

George Mueske
General Manager
Corporate Information
Systems

Donald J. Savaria
General Manager
Public Affairs

David Schultz
General Manager
Diginex North

Bill W. Simes
General Manager
Human Resources

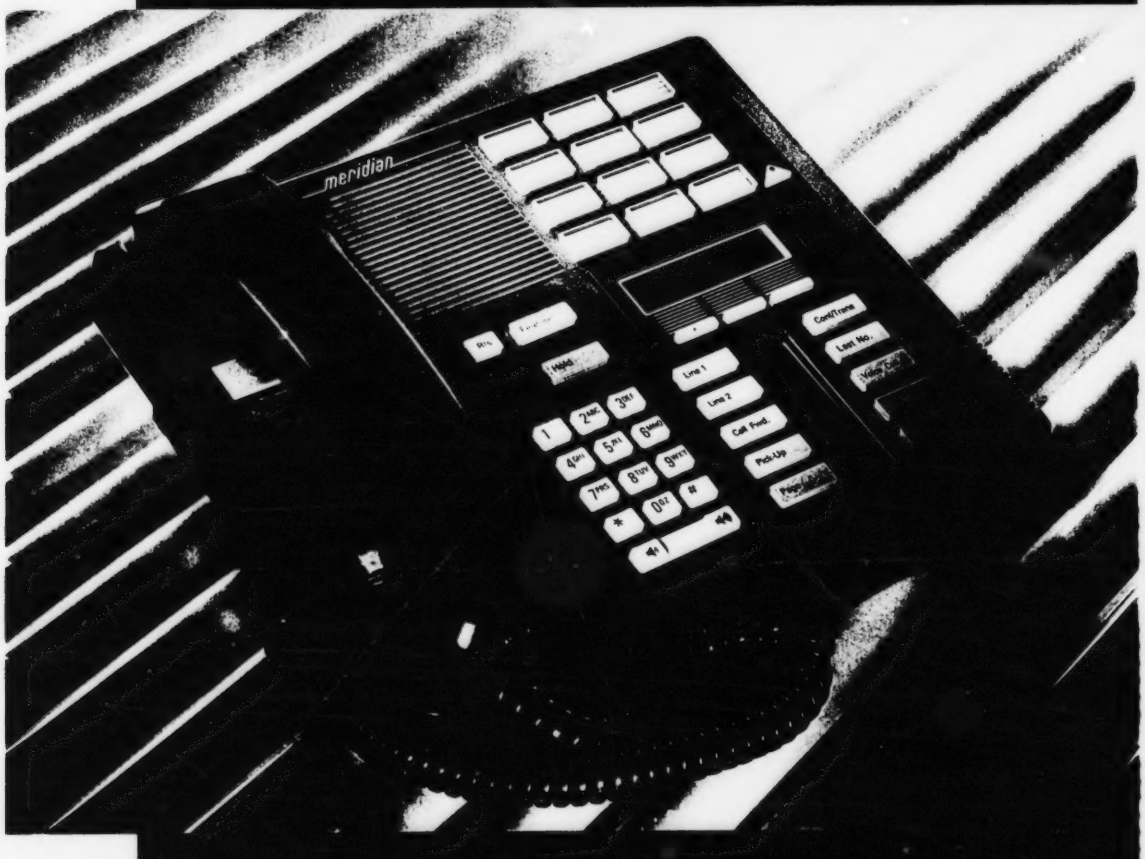
Norman F. Stepan
General Manager
Operations
(South Districts)

Randy R. Stephanson
Controller

Bill Wendel
General Manager
Operations Regina

Fred Yeo
General Manager
Diginex South

A bright new star for business



Meridian Norstar

In the world of business, you need a phone that shines for you day after day. And that's what you'll get with the Meridian Norstar from Northern Telecom.

It provides all the time and work-saving features that make business just a little more efficient. Plus a digital display that shows you exactly how to put all those features to work.

Make the Meridian Norstar the first star on your team. Available at SaskTel Business Centres.

SaskTel